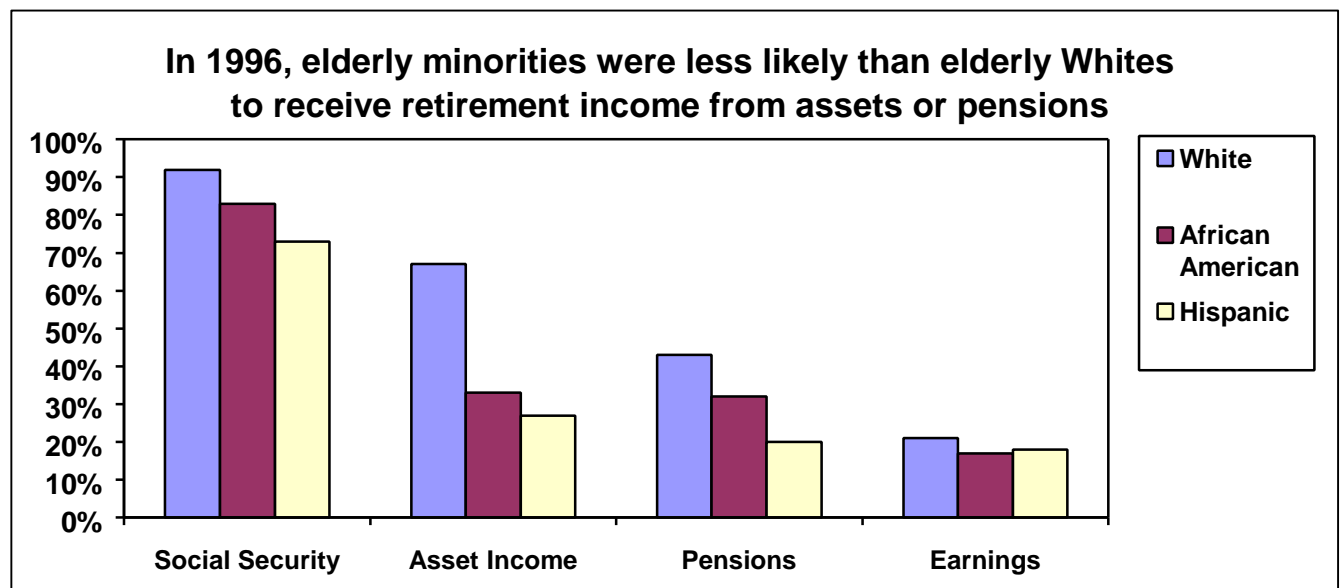


Why is Social Security Important for Minority Groups?

- The Social Security program is race-neutral.
- Minorities benefit from the progressive benefit formula.
- Minorities benefit from the survivors and disability programs.

Social Security is Race Neutral

Social Security is a race-neutral program— individuals who are in identical life situations are treated the same. People, however, are rarely in identical situations. African-Americans and Hispanics tend to have lower earnings and less pension coverage throughout their working lives. Whites are much more likely than African Americans or Hispanics to receive income from assets and from pensions during their retirement. In fact, minorities are less likely to receive retirement income from sources other than Social Security. As described in the chart below, in 1996, while 43 percent of Whites, aged 65 and over, receive income from pensions, only 32 percent of aged African Americans and 20 percent of Hispanic-Americans receive income from this source. Therefore, Social Security is especially important to minority groups in retirement.



Source: Income of the Aged Chartbook, 1996. Office of Research, Evaluation and Statistics. Social Security Administration. May 1998.

Social Security benefits have kept many elderly people out of poverty, especially minorities. Those who would be in poverty without their Social Security benefits:

- 49 percent of elderly Whites
- 62 percent of elderly African- Americans
- 61 percent of elderly Hispanic-Americans.

Social Security is the main source of retirement income for many elderly minorities. While Social Security is the only source of income for 16 percent of elderly Whites, it is the sole source of income for 33 percent of elderly African Americans and 33 percent elderly Hispanics.

The Current Social Security Program Helps Minorities

Social Security provides benefits at retirement, disability and death. The relative importance of these benefits varies among racial/ethnic groups, from a greater reliance on disability benefits for minorities to more reliance on retirement benefits for Whites.

Several factors in the Social Security program benefit minorities, including

- a progressive benefit formula;
- the provision of disability and survivors insurance; and
- a guaranteed benefit with an annual cost of living adjustment that protects against inflation.

The Social Security system utilizes a progressive formula to calculate benefits. The system returns a greater percentage of pre-retirement earnings to low-wage workers than to high-wage workers. Low-wage workers who retire at age 65 in the year 2000 can expect their Social Security benefit to replace 53 percent of their earnings. In contrast, Social Security benefits will replace 40 percent for average-wage earners, and only 32 percent for high-wage earners. Since minority groups have a disproportionate share of low-wage workers, they receive more benefits in relation to past earnings than do high wage earners.

African Americans generally have lower life expectancies than Whites and other ethnic groups. As seen in the chart below, in 1995, African American men at age 65 had an average life expectancy of just over 13 years compared to just under 16 years for White men. However, all women had longer life expectancies than white men did.

Life Expectancy at Age 65, 1995

	Total	White	African Americans	Asian	Hispanic Origin
Both Sexes	17.4	17.6	15.6	21.2	21.2
Men	15.6	15.7	13.6	18.8	18.5
Women	18.9	19.1	17.1	22.9	21.8

Sources: (1) Health United States, 1996-1997 and Injury Chartbook, Table 29. National Center for Health Statistics, 1997; and (2) Population Projections for the United States by Age, Sex, Race, and Hispanic Origin: 1995-2050, Current Population Reports P-25-1130, 1996, Tables B-1 & B-2.

While they generally have a shorter life span over which to receive retirement benefits, African Americans are more likely to receive disability and survivor benefits. In 1996, 13 percent of the general US population was African American. However, 25 percent of surviving children and 18 percent of disabled worker benefits were awarded to African Americans.

The Social Security program provides a guaranteed, inflation-protected benefit that lasts as long as you live. Despite a generally lower socioeconomic situation, life expectancies for Hispanics are greater than for Whites and African Americans. These longer life expectancies mean a longer time in retirement and a greater chance of outliving other sources of retirement income. Hispanics tend to have lower assets and pension rates than either Whites or African Americans. This means that they do rely on Social Security more than other groups for their income in retirement. The guaranteed benefit provided by Social Security is especially important to these individuals who have little other retirement income. The Social Security benefit is also protected from inflation by automatic cost of living increases. Therefore, the value of the benefit will not erode over time, but will keep pace with inflation.